

Lift-off

Top macro theme(s):

- **Lift-off (p. 2):** Poland has started to loosen pandemic restrictions. Booming consumer spending in the first days after reopening of malls suggest that pent-up demand will boost private consumption in 2q21 and opens space for upward revision of our GDP forecast.

What else caught our eye:

- **The MPC has not changed policy parameters** (the reference rate at 0.10%, no modifications to the QE). In the post-meeting [statement](#), the Council admitted that CPI inflation will remain elevated, but largely due to exogenous factors which are expected to fade away next year. According to **A.Glapinski** a discussion about rate hikes, in the most optimistic scenario, could be started in mid-2022 and a hike should be preceded by tapering. All in all, we stick to our assumption that NBP rates will remain stable even until the end of 2022. The NBP will be reluctant to start rate hikes before major central banks in the world (mainly the ECB) decide to tighten their monetary policy.
- **The NBP Sentiment Survey** confirmed that the situation of export oriented companies (supported by weak PLN and strong external demand) has significantly improved and is close to the pre-pandemic stance, while domestic-oriented corporates still struggle. The survey paints a pessimistic picture of investment activity in the private sector, with companies unfreezing pre-pandemic projects and reluctant to start new ones.
- **Moody's confirmed Poland's rating at A2 with a stable outlook** and stated that if the challenges of phasing out pandemic bailouts are successfully met, the chances of an upgrade will increase.
- **Manufacturing PMI in April declined to 53.7pts** (vs 54.3 in March), with supply side limitations in the foreground. As a result output was not able to meet growing industrial orders.
- **The Supreme Court's ruling on CHF loans** states that: (1) after finding the loan contract invalid, claims of a bank and of a borrower should be treated separately; (2) the statute of limitation should be calculated starting from the moment, the loan contract is being found invalid. Another ruling of the Supreme Court's on CHF loans (covering among others the issue of the remuneration for the use of capital) is scheduled for 11th May.

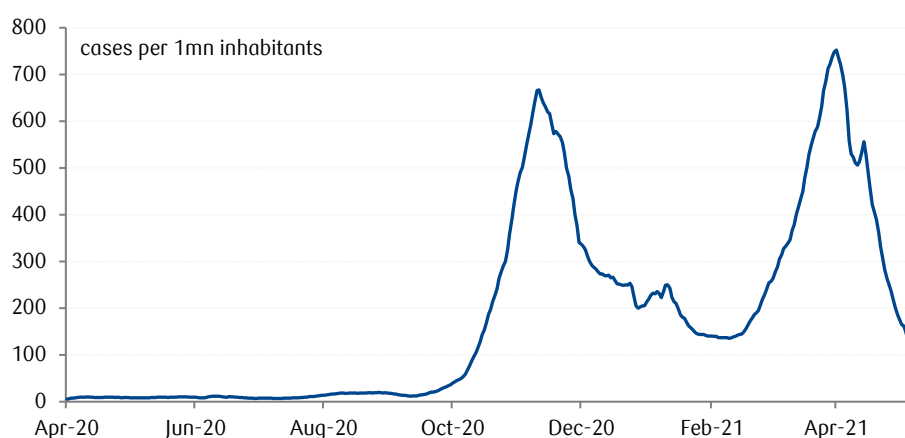
The week ahead:

- The key publication this week is **flash GDP for 1q21** (PKOe: -1.0% y/y). **Detailed CPI figures** will shed more light on factors standing behind the inflation spike in April. Expected **C/A surplus** in March (PKOe: EUR 1.543 bn) was most likely accompanied by a two-digit exports growth rate.

Number of the week:

- **164.3% y/y** - new car registrations in April.

Chart of the week: The third Covid-19 wave in Poland is over



Source: Min. of Health, PKO Bank Polski.

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	2020	2021†
Real GDP (%)	-2.7	4.7
Industrial output (%)	-1.0	12.3
Unemployment rate# (%)	6.2	5.4
CPI inflation** (%)	3.4	4.0
Core inflation** (%)	3.9	3.2
Money supply M3 (%)	16.4	10.5
C/A balance (% GDP)	3.6	3.0
Fiscal balance (% GDP)*	-7.0	-3.4
Public debt (% GDP)*	57.5	56.9
NBP reference rate## (%)	0.10	0.10
EURPLN‡#	4.61	4.53

Source: GUS, NBP, MinFin, †PKO BP Macro Research team forecasts; ‡PKO BP Market Strategy team forecasts; *ESA2010; **period averages; #registered unemployment rate at year-end; ##at year-end. *under revision.

Lift-off

- Poland has started to loosen pandemic restrictions. The fact that the economy will operate on more or less 'normal' terms starting from June supports our optimistic GDP forecast and opens space for some upward revisions.
- Based on what we have seen last year, once the first lockdown has been eased, we expect a vivid rebound of private consumption this Spring. Our internal data on card transaction confirms, that in the case of clothing and footwear, the demand has surged already on the first day of shopping malls reopening. This pattern is similar to the one observed during the previous three reopenings.

The government's plan from late April assumes systematic easing of anti-pandemic restrictions spanned throughout May. The easing follows a well-known path and started with the reopening of stores in the shopping malls, museums and art galleries on May 4th. On May 8th hotels will be allowed to open under the strict sanitary regime, on 15th May restaurants will be allowed to operate outdoors. At the end of the month indoor dining will be allowed and cinemas, theaters and fitness clubs will reopen. The proposed timetable has been implemented without any delay, as the epidemic situation has greatly improved. The fact that the economy will operate on more or less "normal" terms starting from June supports our optimistic GDP forecast for 2021 (4.7%) and even opens space for some modest upward revisions.

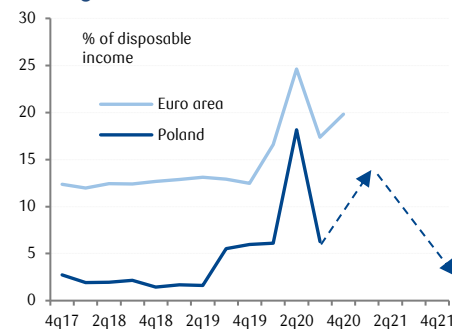
Based on what we have seen last year, once the first lockdown has been eased, we expect a vivid rebound of private consumption this Spring. There are good fundamental reasons for the consumption to rebound: (1) unemployment rate has stabilised at a relatively low level (3.0% in LFS terms, the lowest level in the EU) protecting labour income; (2) high saving rate accumulated during the restriction period will likely be consumed; (3) improved consumer confidence supports "major" purchases; (4) it seems there are no durable major changes in spending patterns (i.e. mobility is on the rise again, people return to hard-to-distance services).

Our internal data on card transaction confirms, that in the case of **clothing and footwear** stores that have been the first ones to reopen, **the demand surged already on the first day of shopping malls reopening**. This pattern is similar to the one observed during the previous three reopenings last May, November and this February. On May 4th the total value of card transactions by PKO Bank Polski customers was one of the highest in the last year-and-a-half. It is worth noting that this rebound has occurred despite the fact that during the lockdown-induced drop of sales was smaller than before, as retailers and customers went online.

We expect a similar rebound of demand in the case of services. We have already seen it after a four week closure of beautician and hairdressers'. In our opinion restaurants and hotels will follow its footprints, especially when we take into account a crawling growth of card spending observed in the last weeks of the lockdown and the adjustment to delivery sales that the restaurants underwent in 2020.

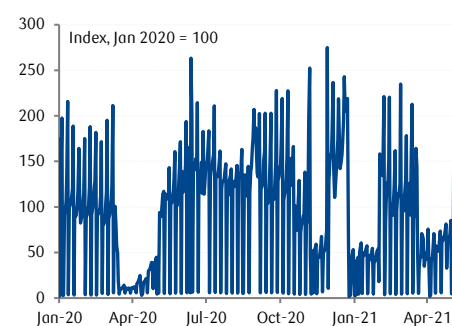
All in all the consumer lift-off has just begun and we expect private consumption to grow by 14.8% y/y in 2q (of course partly on the low statistical base) and by 5.2% in the whole 2021.

Saving rate



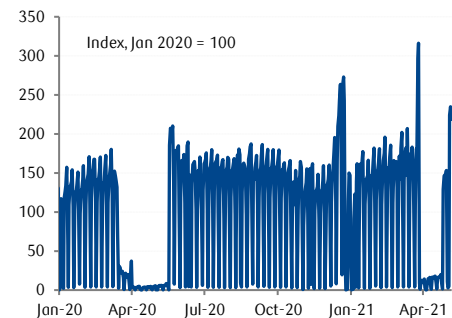
Source: Eurostat, PKO Bank Polski.

Card payments on clothing and footwear



Source: PKO Bank Polski.

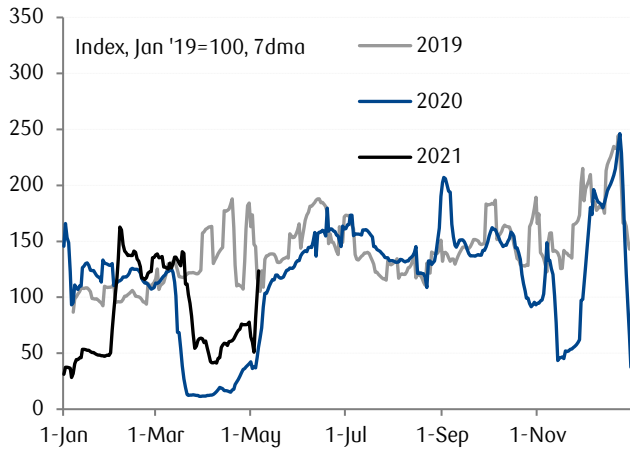
Card payments - beauty services



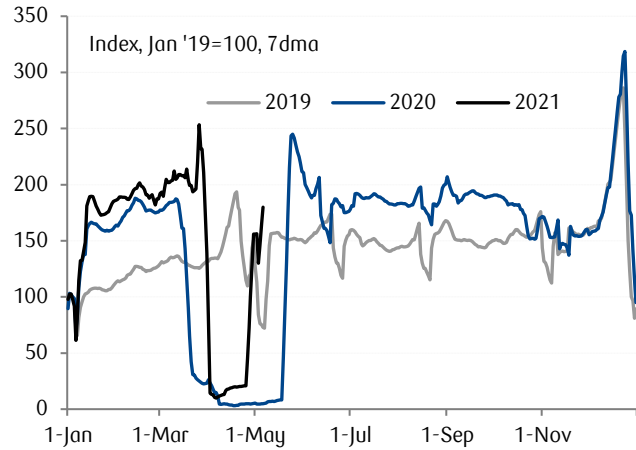
Source: PKO Bank Polski.

Card payments (data endpoint May 7th)

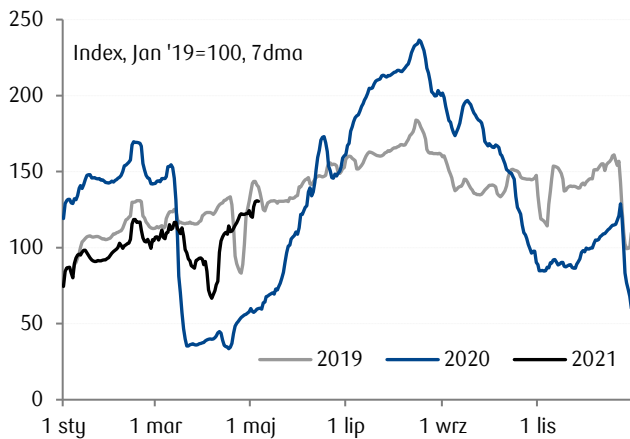
Clothing and footwear



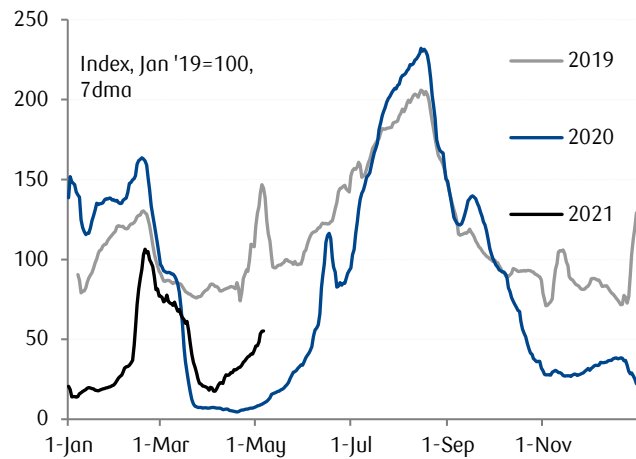
Beauty services



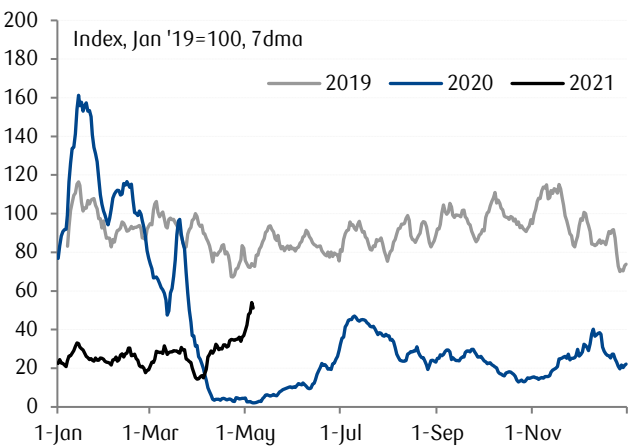
Restaurants



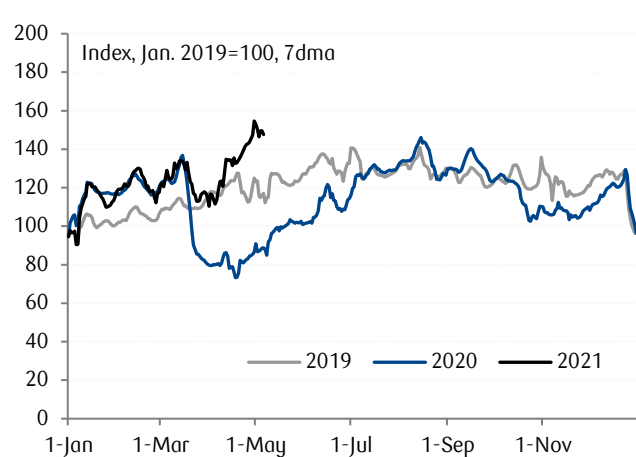
Hotels



Airlines



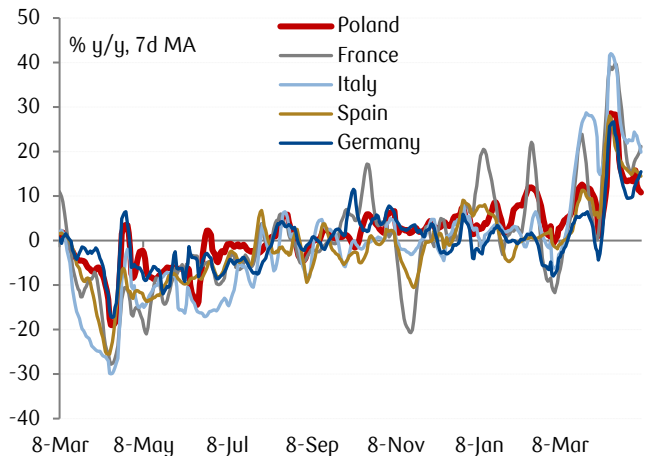
Gas stations



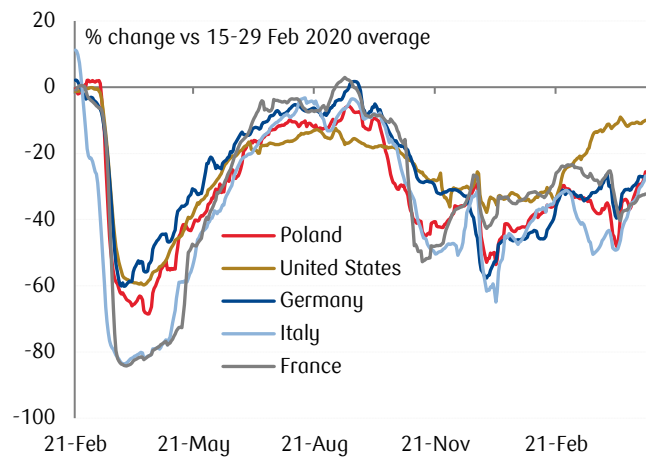
Source: PSE, Apple, Google, GDDKIA, CEIDG, Kantar, PKO Bank Polski, *weighted with market share of iOS and Android, no new google data available, 7DMA, **Central Registration and Information on Business.

Macro monitoring with alternative data

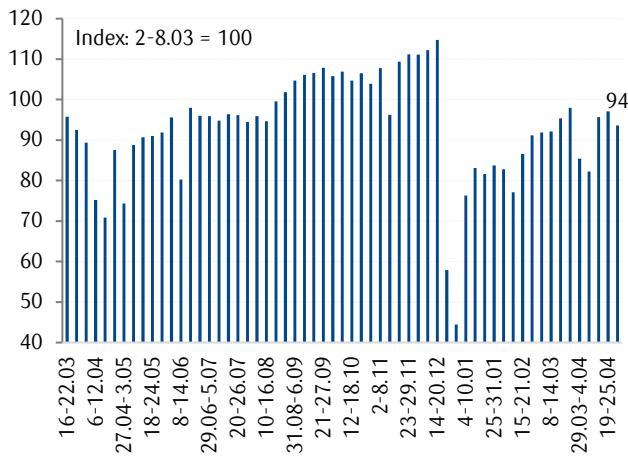
Electric energy consumption (total)



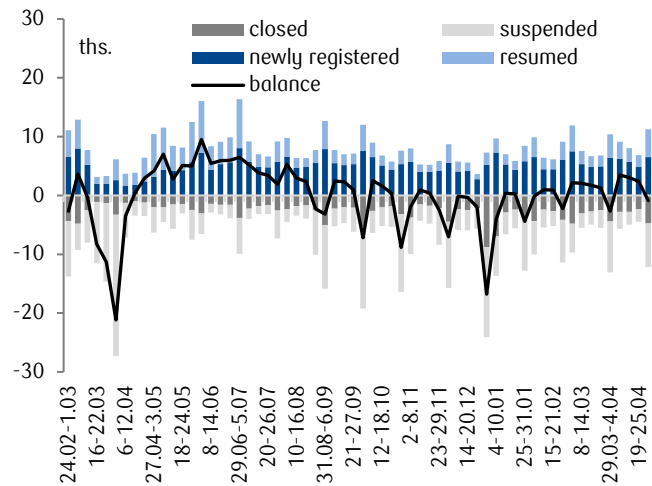
Mobility*



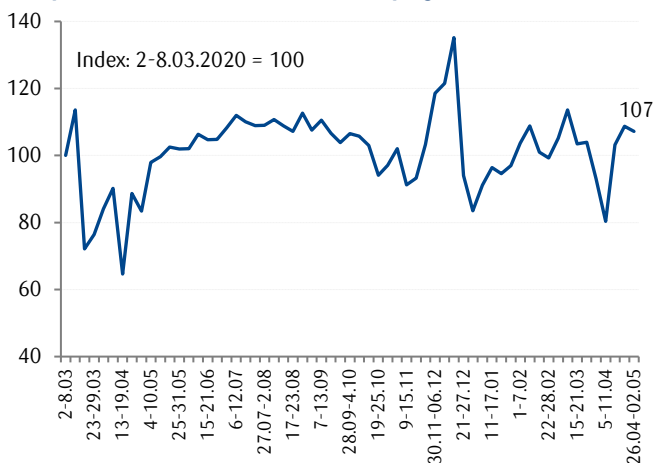
Heavy truck traffic



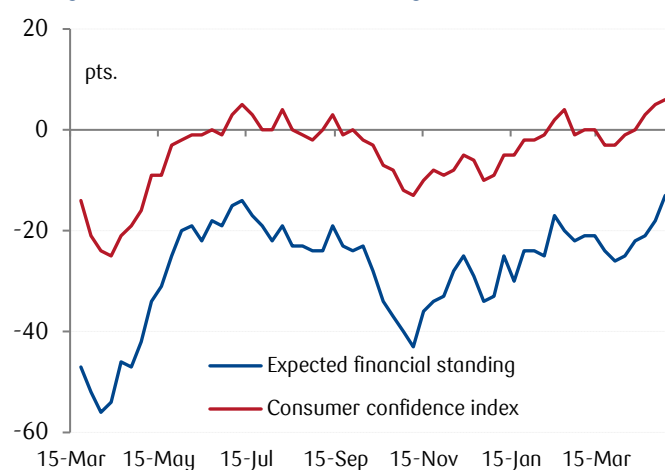
Economic activity status (acc. to CEiDG**)



Consumption based on PKO BP card payments



Weekly consumer confidence survey



Source: PSE, Apple, Google, GDDKiA, CEiDG, Kantar, PKO Bank Polski, *weighted with market share of iOS and Android, no new google data available, 7DMA, **Central Registration and Information on Business.

Weekly economic calendar

Indicator	Time (UK)	Unit	Previous	Consensus*	PKO BP	Comment
Monday, 10 May						
EUR: Sentix index (May)	9:30	pts.	13.1	--	--	--
Tuesday, 11 May						
CHN: CPI inflation (Apr)	2:30	% y/y	0.4	--	--	--
CZE: CPI inflation (Apr)	8:00	% y/y	2.3	--	--	--
HUN: CPI inflation (Apr)	8:00	% y/y	3.7	--	--	--
GER: ZEW index	10:00	pts.	70.7	--	--	--
Wednesday, 12 May						
GER: CPI inflation (Apr, fin.)	7:00	% y/y	1.7	2.0	--	--
EUR: Industrial output	10:00	% y/y	-1.6	--	--	--
USA: CPI inflation (Apr)	13:00	% y/y	2.6	3.6	--	--
Thursday, 13 May						
USA: Initial jobless claims	13:30	thous.	--	--	--	--
Friday, 14 May						
POL: GDP growth (1q, flash)	9:00	% y/y	-2.8	-1.0	-1.0	We think 1q21 was the last one with negative growth rate. CPI details will shed more light on factors standing behind an upside surprise.
POL: CPI inflation (Apr, fin.)	9:00	% y/y	3.2	4.3	4.3	
EUR: Minutes ECB (Apr)	12:30	--	--	--	--	--
POL: Current account balance (Mar)	13:00	EUR bn	1.619	1.512	1.543	Yet another month of C/A surplus with a two-digit exports growth rate.
USA: Retail sales (Apr)	13:30	% m/m	9.8	--	--	--
USA: Industrial output (Apr)	14:00	% m/m	1.4	2.0	--	--
USA: UniMich index (May, flash)	15:00	pts.	88.3	89.5	--	--

Source: GUS, NBP, Parkiet, PAP, Bloomberg, Reuters, PKO Bank Polski, Parkiet for Poland, Bloomberg, Reuters for others.

Selected economic indicators and forecasts

	Feb-21	Mar-21	Apr-21	4q20	1q21	2q21	3q21	2019	2020	2021
Economic activity										
Real GDP (% y/y)	x	x	x	-2.7	-1.0	9.1	5.4	4.7	-2.7	4.7
Domestic demand (% y/y)	x	x	x	-3.4	-2.0	9.1	4.5	3.5	-3.7	4.6
Private consumption (% y/y)	x	x	x	-3.2	0.0	14.8	2.0	4.0	-3.0	4.2
Gross fixed capital formation (% y/y)	x	x	x	-15.4	-6.4	3.0	2.4	6.1	-9.6	1.9
Inventories (pp)	x	x	x	0.6	-1.4	-1.2	1.7	-1.4	-0.9	0.0
Net exports (pp)	x	x	x	0.4	0.9	0.7	0.4	1.2	0.8	1.0
Industrial output (% y/y)	2.5	18.9	34.8	5.2	7.7	26.1	10.4	4.0	-1.0	12.3
Construction output (% y/y)	-16.9	-10.8	-7.7	-2.4	-12.5	-4.6	4.2	3.6	-2.7	-2.5
Retail sales (real, % y/y)	-3.1	15.2	20.5	-2.8	1.9	7.9	1.3	5.4	-2.7	2.4
Nominal GDP (PLN bn)	x	x	x	639.3	566.0	594.8	633.8	2288	2306	2507
Labour market										
Registered unemployment rate‡(%)	6.5	6.4	6.2	6.2	6.4	5.8	5.4	5.2	6.2	5.4
Employment in enterprises (% y/y)	-1.7	-1.3	-1.1	-1.1	-1.7	2.1	1.0	2.7	-1.2	0.6
Wages in enterprises (% y/y)	4.5	8.0	9.4	5.9	5.7	8.0	5.5	6.6	4.8	6.1
Prices^										
CPI inflation (% y/y)	2.4	3.2	4.3	2.7	2.7	4.2	4.0	2.3	3.4	4.0
Core inflation (% y/y)	3.7	3.9	3.7	4.1	3.8	3.3	3.1	1.9	3.9	3.2
15% trimmed mean (% y/y)	2.3	2.9	x	2.9	2.6	x	x	1.9	3.9	x
PPI inflation (% y/y)	2.2	3.9	5.2	-0.1	2.3	2.9	3.4	1.2	-0.5	3.0
Monetary aggregates‡										
Money supply, M3 (PLN bn)	1836.6	1862.9	1863.4	1822.7	1862.5	1906.2	1936.3	1565.6	1822.7	2013.7
Money supply, M3 (% y/y)	16.3	14.4	12.7	16.4	14.4	9.2	9.9	8.3	16.4	10.5
Real money supply, M3 (% y/y)	13.5	10.9	8.1	13.4	11.3	4.8	5.7	5.8	12.6	6.2
Loans, total (PLN bn)	1336.6	1344.0	x	1333.9	1344.0	1353.3	1375.0	1323.6	1333.9	1384.9
Loans, total (% y/y)	-0.2	-1.7	x	0.8	-1.7	0.9	2.8	5.1	0.8	3.8
Deposits, total (PLN bn)	1644.3	1670.0	x	1602.2	1670.0	1694.6	1721.9	1406.8	1602.2	1735.6
Deposits, total (% y/y)	13.7	12.5	x	13.9	12.5	4.7	5.8	8.2	13.9	8.3
Balance of payments										
Current account balance (% GDP)	3.8	3.7	3.4	3.6	3.7	3.1	3.0	0.5	3.6	3.0
Trade balance (%GDP)	2.5	2.6	2.4	2.4	2.6	2.4	2.2	0.2	2.4	1.9
FDI (% GDP)	1.3	1.2	1.2	1.4	1.2	1.1	1.3	1.6	1.4	1.7
Fiscal policy										
Fiscal balance (% GDP)	x	x	x	x	x	x	x	-0.7	-7.0	-3.4
Public debt (% GDP)	x	x	x	x	x	x	x	45.6	57.5	56.7
Monetary policy‡										
NBP reference rate (%)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.50	0.10	0.10
NBP lombard rate (%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	2.50	0.50	0.50
NBP deposit rate (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.00	0.00
WIBOR 3M ^x (%)	0.21	0.21	0.21	0.21	0.21	0.20	0.20	1.71	0.21	0.20
Real WIBOR 3M ^x (%) [#]	-2.23	-2.97	-4.06	-2.44	-2.53	-4.18	-3.92	-0.58	-3.06	-3.65
Exchange rates*‡										
EUR-PLN	4.52	4.66	4.57	4.61	4.66	4.57	4.55	4.26	4.61	4.53
USD-PLN	3.72	3.97	3.77	3.76	3.97	3.84	3.79	3.80	3.75	3.71
CHF-PLN	4.12	4.21	4.15	4.26	4.21	4.15	4.14	3.92	4.25	4.08
EUR-USD	1.21	1.17	1.21	1.23	1.17	1.19	1.20	1.12	1.23	1.22

Source: GUS, NBP, PKO Bank Polski.

^xPKO BP Market Strategy team forecasts,[^]period averages for quarterly and yearly data,[#]deflated with current CPI inflation,[‡]period end values,[†]under revision.

Monetary policy monitor

MPC Members	Hawk-o-meter*	Recent policy indicative comments^
K. Zubelewicz	4.8	"Polish MPC would rethink easy-money preferences only on outlook for long-term lasting inflation above 4% (...) Polish MPC will likely stick to bias for "lowest possible interest rates" and "weak zloty," chances for rate normalization "near zero" (26.01.2021, PAP)
E. Gatnar	4.5	"It seems to me that the first signal of normalization could be hiking the mandatory reserve rate now, as professor Hardt suggests, and then hiking the reference rate by 10-15 bps in order to reduce the disparity between rates in the group of CEE economies, which have the highest inflation in the EU," he said. "This could take place already in the second half of this year, when inflation exceeds 4%" (20.04.2021, PAP)
L. Hardt	4.2	"We cannot go below zero due to various reasons, in my opinion we absolutely cannot go below zero (...) The longer the central bank is active on the longer end of the yield curve and the more assets it purchases, (...) the more efficacy of this channel declines. (...) When the economy starts recovering ... we hope that firms will start with investments, at least replacement once to start with, so such a tool [PAP: like TLTRO] would be useful". (PAP, 20.04.2021)
J. Kropiwnicki	3.2	"I'm not particularly alarmed by higher inflation, at least in the first half of the year, as supply and cost factors are the main reasons for higher price growth, and monetary policy has no big impact on them" (10.03.2021, Biznes 24, Bloomberg).
C. Kochalski	2.2	"In the coming quarters there will be no decision situation for interest rate hikes (...) It's just that I don't think that in the prospect of 2022 we will reach such state of lasting and balanced growth that would be conducive to changing this monetary policy parameter." (15.04.2021, PAP).
R. Sura	2.1	"I would not exclude such a scenario [PKO: rate cuts] in the future (...) [PKO: while] inflation in 2021 will be approaching the middle of the inflation target tolerance band, (...) and economic developments and expert opinions delivered to us parallelly and analyzed by us should point at a possibility of a further rate cut, with concurrent demonstration of positive effects for the real economy. (...) As of today I do not see such a need and the current rate regime appears "optimal."" (30.12.2020, PAP).
G. Ancyparowicz	1.8	"I see no possibility for me to vote for interest rate hikes before the end of my term in the council in February 2022 - unless lending skyrockets in the consumer segment, in cash loans, but that seems very unlikely (...) On the other hand, cutting interest rates further would make absolutely no sense in the current situation." (27.04.2021, PAP)
A. Glapinski	1.5	"Interest rate cuts are not an option at the moment, there is the question of policy normalization. (...) For now, rate stability to the end of the term is the most likely scenario. (...) The NBP will first announce the end of quantitative easing and only then there will be measures concerning interest rates. (...) We will likely start thinking about it mid-next year, I recommend calm until then" (07.05.2021, PAP)
J. Zyzynski	1.5	"If it turns out that the economy is returning to normal, then in autumn one could think about ending the bond purchase program" (27.04.2021, Reuters)
E. Lon	1.1	"As for postulates for hiking Polish interest rates, I believe there will be no such need at least until the end of the current MPC term " (08.03.2021, wgospodarce.pl, PAP)

*the higher the indicator the more hawkish views. Due to the fact that the new MPC has not voted yet on interest rates changes, the positioning has been made based positively on PAP survey conducted among economists at banks in Poland (scale 1-5). ^Quotes in bold have been modified in this issue of Poland Macro Weekly.

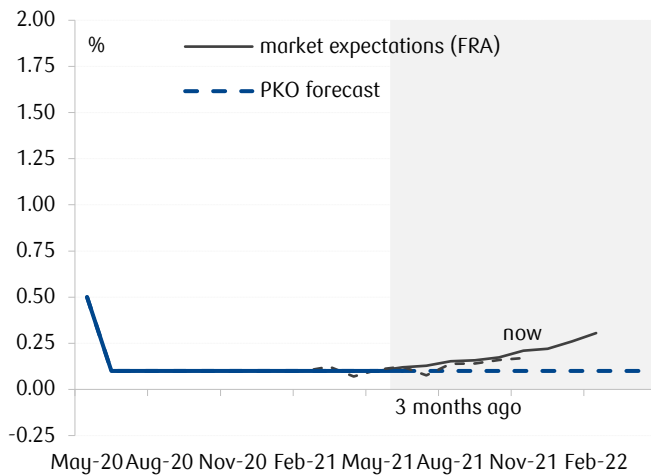
Interest rates – PKO BP forecasts vs. market expectations

	1M	2M	3M	4M	5M	6M	7M	8M	9M	
Date	6-May	6-Jun	6-Jul	6-Aug	6-Sep	6-Oct	6-Nov	6-Dec	6-Jan	6-Feb
WIBOR 3M/FRA†	0.21	0.23	0.24	0.26	0.27	0.28	0.32	0.33	0.37	0.42
implied change (b. p.)		0.02	0.03	0.05	0.06	0.07	0.11	0.12	0.16	0.21
MPC Meeting	5-May	9-Jun	8-Jul	-	8-Sep	6-Oct	3-Nov	8-Dec	-	-
PKO BP forecast*	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
market pricing*		0.12	0.13	0.15	0.16	0.17	0.21	0.22	0.26	0.31

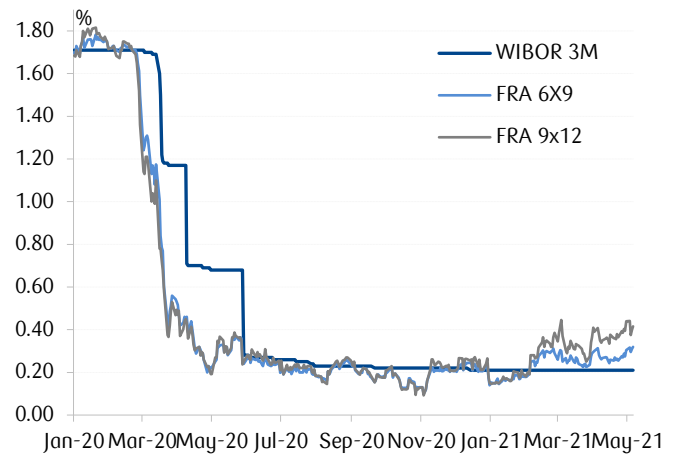
†WIBOR 3M from the last fixing, FRA transactions based on WIBOR 3M for subsequent periods, ‡in basis points, *PKO BP forecast of the NBP reference rate.

Poland macro chartbook

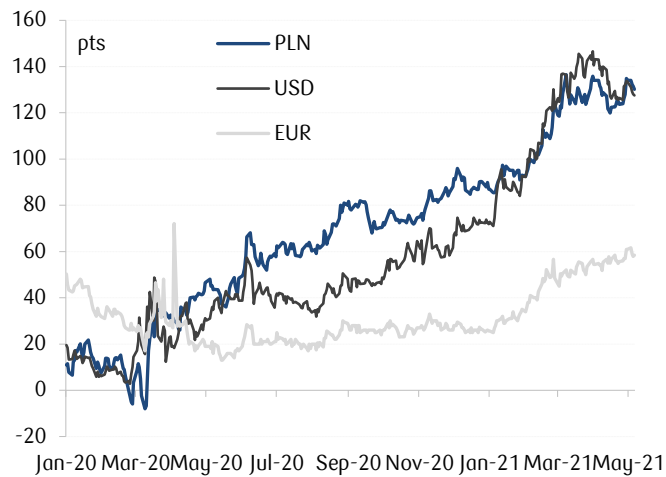
NBP policy rate: PKO BP forecast vs. market expectations



Short-term PLN interest rates



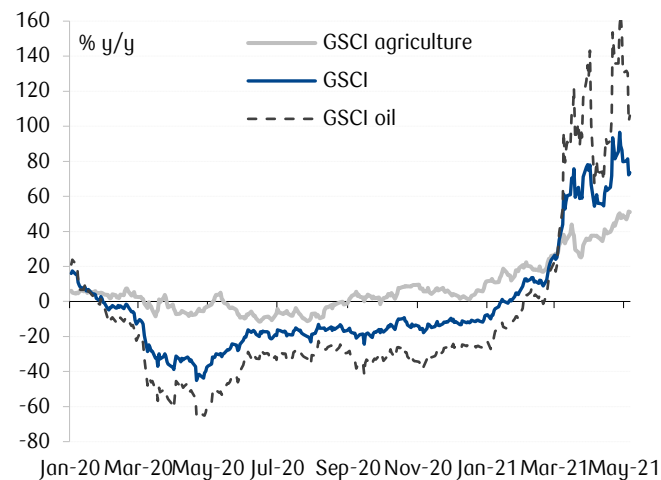
Slope of the swap curve (spread 10Y-2Y)*



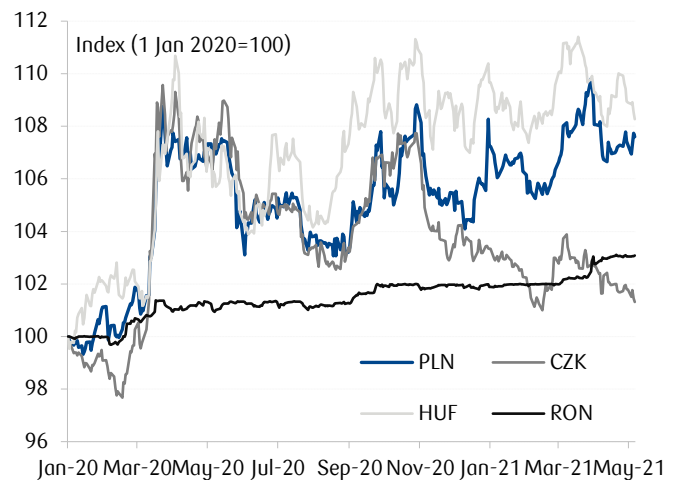
PLN asset swap spread



Global commodity prices (in PLN)

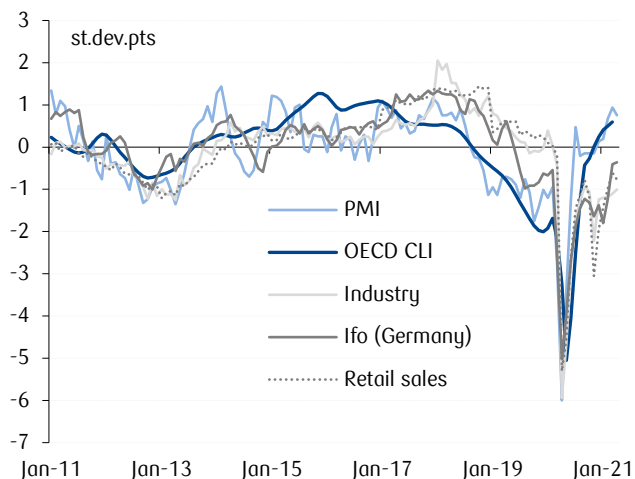


Selected CEE exchange rates against the EUR

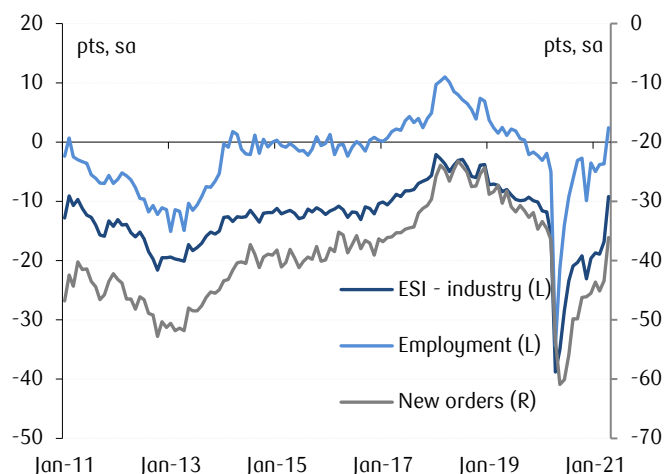


Source: Datastream, NBP, PKO Bank Polski. *for PLN, and EUR 6M, for USD 3M.

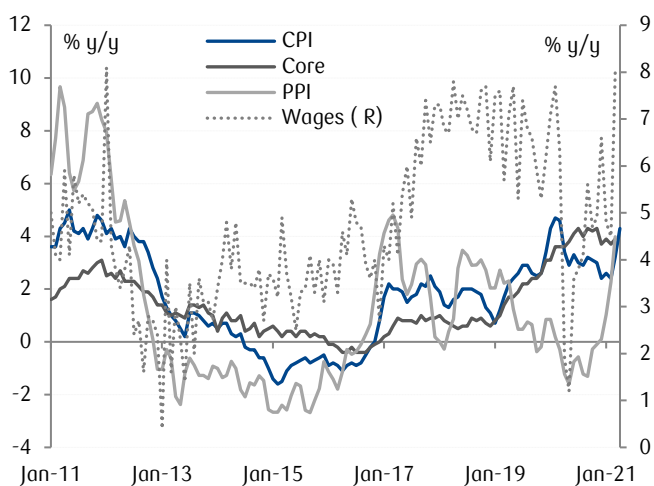
Economic sentiment indicators



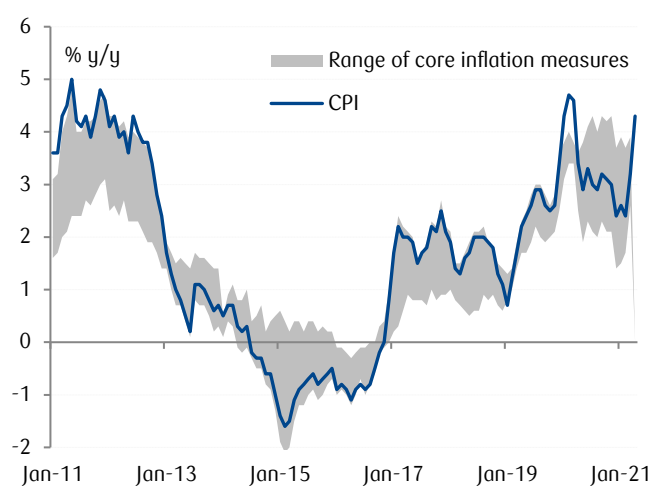
Poland ESI for industry and its components



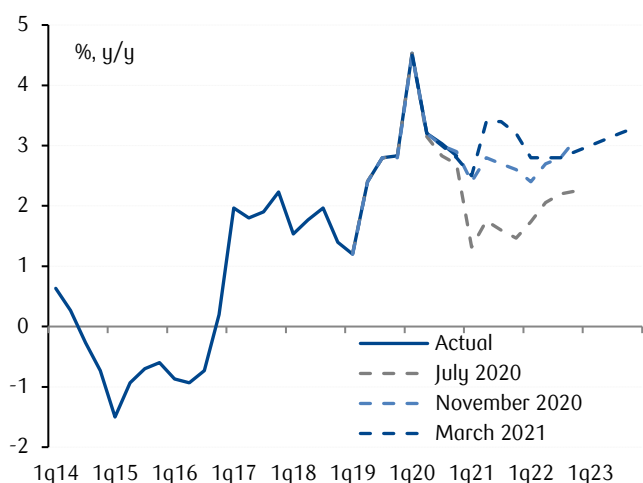
Broad inflation measures



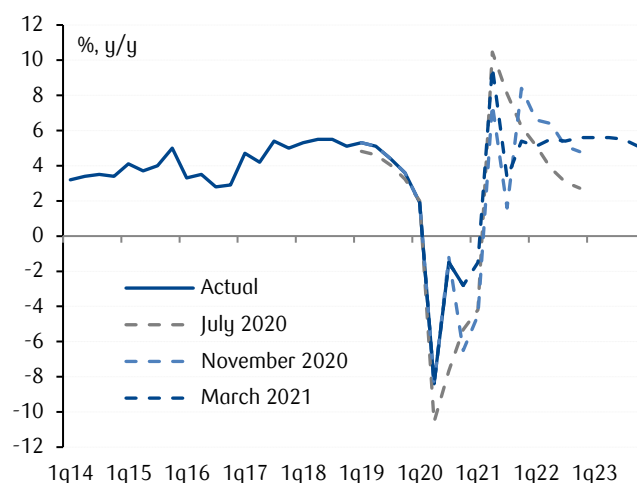
CPI and core inflation measures



CPI inflation - NBP projections vs. actual

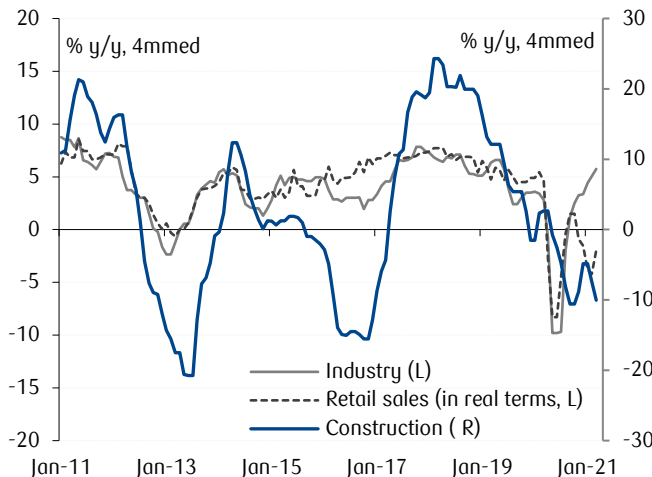


Real GDP growth - NBP projections vs. actual

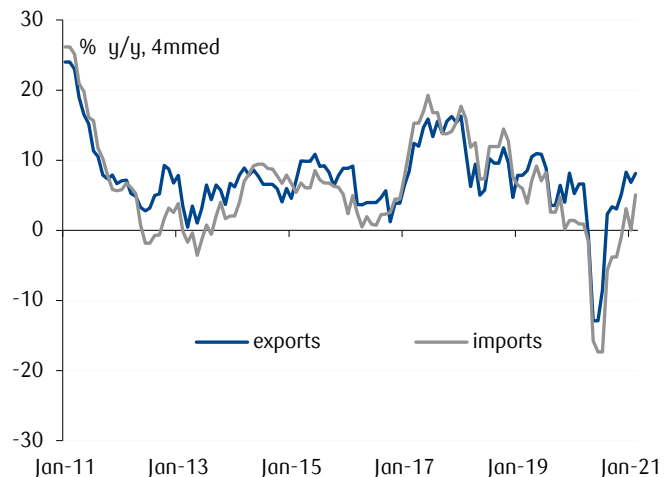


Source: Datastream, GUS, EC, NBP, PKO Bank Polski.

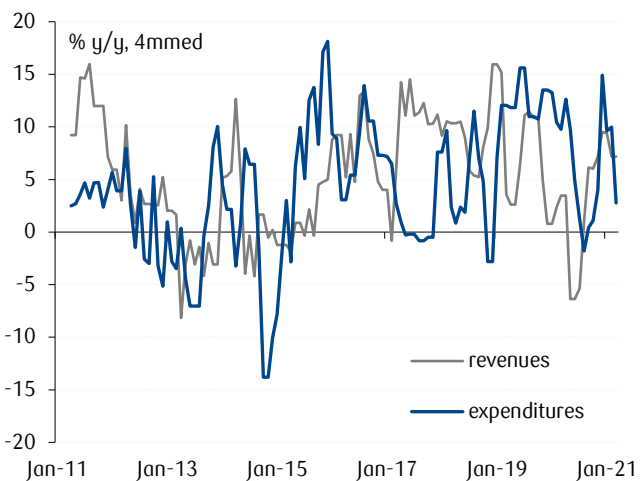
Economic activity indicators



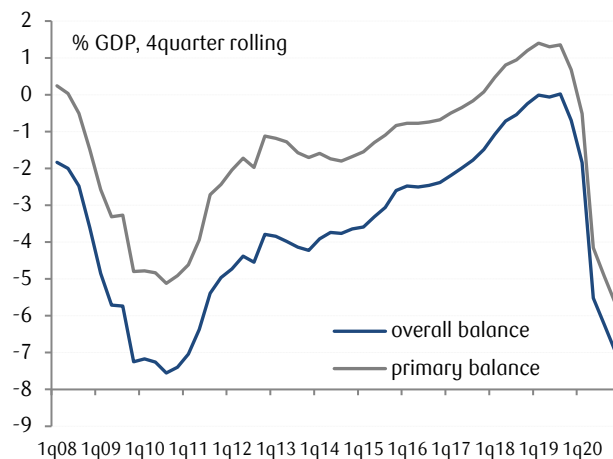
Merchandise trade (in EUR terms)



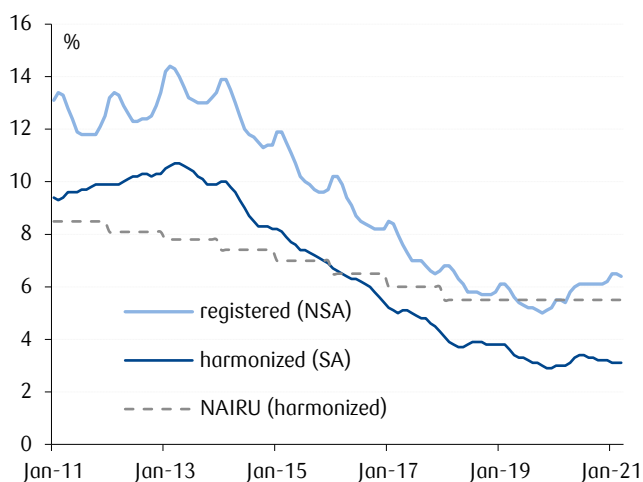
Central government revenues and expenditures*



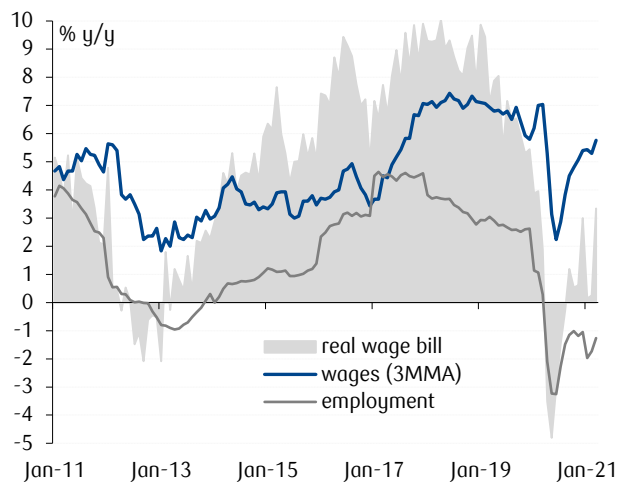
General government balance (ESA2010)



Unemployment rate

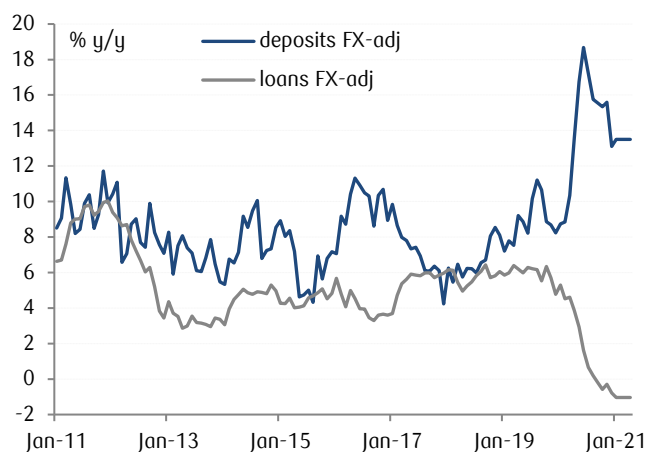


Employment and wages in the enterprise sector

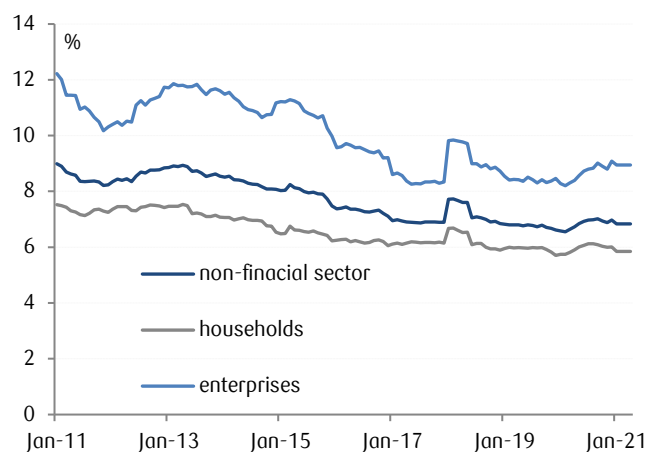


Source: NBP, Eurostat, GUS, MinFin, PKO Bank Polski. *break in series in 2010 due to methodological changes.

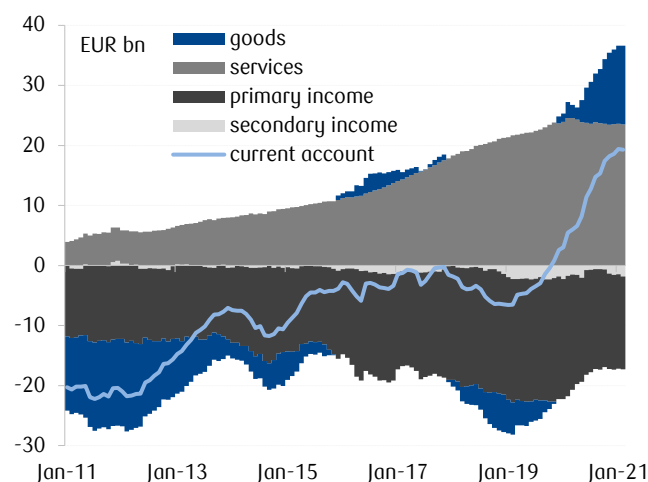
Loans and deposits



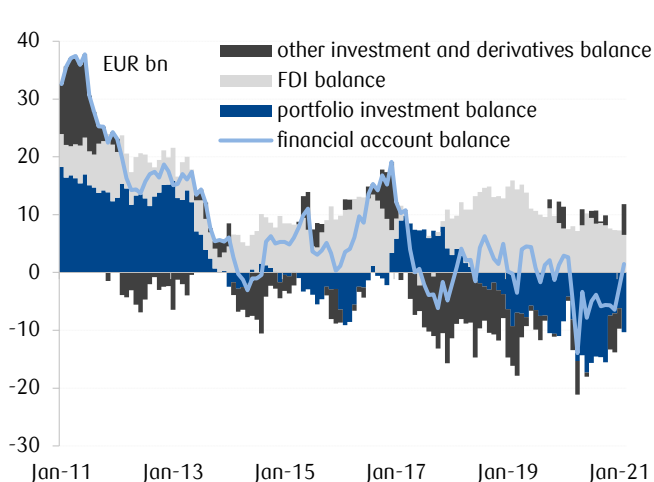
Non-performing loans (NPLs) - by sectors*



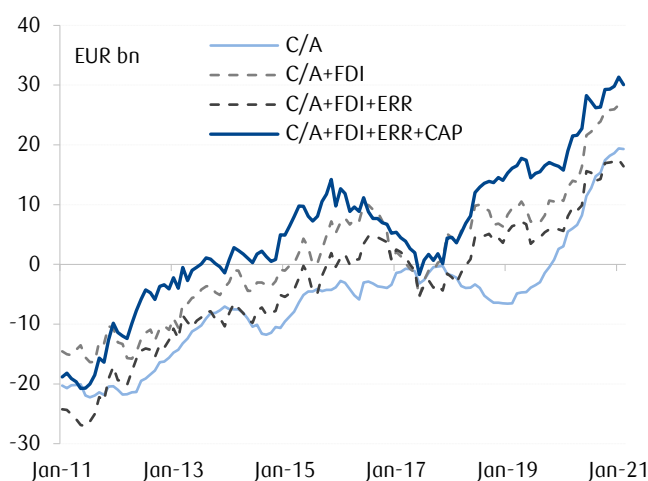
Current account balance



Financial account balance



External imbalance measures



NBP FX reserves (in EUR terms)



Source: NBP, PKO Bank Polski. *break in series in Jan2018 due to methodological changes.

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Poland's macro in a nutshell

	2020	2021	Comment
Real economy			
- real GDP (%)	-2.7	4.7	Despite a more difficult-than-expected start of the year, we still forecast a strong rebound in the domestic economy in 2021. The global recovery supports Poland's exports. We still believe that consumption (along with easing restrictions) and "shifted" fiscal stimulation will be an important driver of growth this year. 1q21 will be the last quarter of negative GDP growth rate. 2q21 will be determined by a low base. In 2h21 a longer period of GDP growth will begin, driven by fiscal, monetary and trade impulse and a decline in the savings rate, followed by an inflow of EU funds.
Prices			
- CPI inflation (%)	3.4	4.0	The sudden rise in CPI which occurred in March and April means, that it will stay around 4.0% level throughout the rest of the year, with a peak in May, at around 4.5%. Rising regulated prices, energy and food prices will keep the CPI at elevated levels despite expected moderation in core CPI.
Monetary aggregates			
- M3 money supply (%)	16.4	10.5	With the rebound of the economic growth, we expect credit demand to increase slowly, fueling a moderate bank lending expansion. Smaller scale of asset purchases will result in a deceleration of money supply growth.
External balance			
- current account balance (% GDP)	3.6	3.0	The balance of payments has become the main strength of Poland's macroeconomic fundamentals. Polish companies are successfully gaining the market share in global trade and Polish exports are breaking new records on a regular basis. Poland has become a net exporter, which is a hugely important structural change, that increases the room for maneuver in both monetary and fiscal policy.
Fiscal policy			
- fiscal balance (% GDP)	-7.0	-3.4	We see no threat to the sustainability of the public finances. In our view Poland, as a competitive economy with high GDP growth potential and moderate inflation, will begin to quickly 'outgrow' the public debt, which has increased due to pandemic.
Monetary policy			
- NBP reference rate (%)	0.10	0.10	Despite high inflation NBP monetary policy will not be exciting. In our baseline scenario we still assume that NBP interest rates will remain unchanged even after 2021, and that the MPC will continue its asset purchases program. Nevertheless, as the economy recovers and relatively high inflation persists, the market might start to expect that monetary policy normalization will start in Poland even before the major central banks will start to tighten their policies.

Source: GUS, NBP, Eurostat, PKO Bank Polski.

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